

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02

STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AEC-05

DODE-00 FPC-01 H-01 INT-05 L-02 NSC-05 PM-03 OES-03

SS-15 FEA-01 PA-01 PRS-01 USIA-06 /103 W

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R 041830Z FEB 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8228

INFO ALL EC CAPITALS 0310

AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

C O N F I D E N T I A L EC BRUSSELS 0992

E.O. 11652: GDS

TAGS: ENRG, EEC, PFOR

SUBJECT: ENERGY DISCUSSION IN BRUSSELS ATTENDED BY OFFICIALS  
OF EC COMMISSION, STATE DEPARTMENT, AND ALL EC NINE GOVERNMENTS

1. SUMMARY: IN A WORKING LUNCHEON ATTENDED BY USG, EC COMMISSION,  
AND ENERGY DIRECTORS FROM ALL NINE EC COUNTRIES, PREEG  
(RPE) OUTLINED THE MAJOR POINTS OF THE SECRETARY'S PRESS  
CLUB SPEECH ON ENERGY AND HEARD THE VIEWS OF THE OTHERS.  
THE MAIN ISSUES THAT SURFACED WERE (1) LEVEL OF THE PROPOSED  
COMMON FLOOR PRICE, (2) BALANCE BETWEEN THE FLOOR PRICE AND  
THE PROJECT SUPPORT MEASURES, AND (3) RELATIONSHIP BETWEEN  
CONSUMER AGREEMENT ON FLOOR PRICE AND NEGOTIATION OF PRICE  
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WITH PRODUCERS. END SUMMARY

2. TAKING ADVANTAGE OF THE PRESENCE IN BRUSSELS OF PREEG, DIRECTOR RPE ENROUTE TO THE GOVERNING BOARD MEETING OF THE IEA IN PARIS FEBRUARY 5, 6 AND 7, COMMISSION VICE PRESIDENT SIMONET HOSTED WORKING LUNCH ON FEBRUARY 4 IN THE RECEPTION ROOMS OF BERLAYMONT. IN A MINOR FIRST, SIMONET INVITED NINE MEMBERS OF THE EC ENERGY GROUP CONSISTING OF ENERGY OFFICIALS FROM CAPITALS AT THE DIRECTOR LEVEL TO DISCUSS ENERGY ISSUES WITH US OFFICIALS.

3. SINCE LUNCH CAME THE DAY AFTER THE SECRETARY'S ENERGY SPEECH AT THE PRESS CLUB, SIMONET OPENED THE DISCUSSION BY ASKING PREEG TO SUMMARIZE IT AND THEN ASKING FOR COMMENTS AROUND THE TABLE. ALL REMARKS WERE OF NECESSITY PRELIMINARY AND PERSONAL SINCE THE SPEAKERS HAD NOT IN ALL CASES EVEN HAD AN OPPORTUNITY TO READ THE SECRETARY'S TEXT IN FULL (USEC HAD DISTRIBUTED IT THAT MORNING) AND NO ONE HAD HAD AN OPPORTUNITY TO CONSULT WITH THEIR CAPITALS.

4. RIBERHOLT, DENMARK, EXPRESSED HIS IMPRESSION THAT THE KISSINGER PROPOSAL WAS WEIGHED SOMEWHAT TOO HEAVILY IN FAVOR OF THE PROTECTED COMMON FLOOR PRICE APPROACH WHICH WOULD KEEP THE PRICE OF ENERGY TO THE CONSUMER HIGH. HE THOUGHT THERE SHOULD BE BETTER BALANCE WITH MEASURES SUCH AS DEFICIENCY PAYMENTS OR SUBSIDIES TO SPECIFIC PROJECTS FOR ALTERNATIVE SOURCES OF ENERGY. PREEG POINTED OUT THAT THE EXTENT TO WHICH THOSE ARGUMENTS WERE VALID DEPENDED ON THE LEVEL OF THE FLOOR PRICE AND THE EXTENT OF SUPPORT FOR HIGHER COST SOURCES OF ENERGY WHICH COULD ONLY BE DECIDED AFTER CAREFUL ANALYSIS IN IEA. HE POINTED OUT HOWEVER THAT IMPORTING COUNTRIES WOULD BE ABLE TO RECOUP THE DIFFERENCE BETWEEN SUPPORT PRICE AND LOWER WORLD PRICE THROUGH TARIFFS OR OTHER IMPORT MEASURES.

5. RIBERHOLT ALSO ARGUES STRONGLY IN FAVOR OF ENTERING THE FIRST REAL (AS OPPOSED TO PREPARATORY) CONFERENCE BETWEEN CONSUMERS AND PRODUCERS WITH A STRONG WELL-DEFINED CONSUMER POSITION. THE NETHERLANDS REPRESENTATIVE DEMURRED SAYING THAT THE CONSUMER POSITION SHOULD NOT BE TOO RIGID.) HE SAID THE PRODUCERS WERE SURE TO ENTER THE CONFERENCE WITH THEIR MAXIMUM DEMANDS OR SOMETHING NEAR THEM ON THE TABLE AND IF THE

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CONSUMERS DID OTHERWISE THEY WOULD BE "EATEN FOR LUNCH ON THE FIRST DAY." RIBERHOLT URGED THAT THE CONFERENCE BE A SERIOUS NEGOTIATION, RATHER THAN A UN-TYPE TALK-FEST.

6. COMMISSION DIRECTOR GENERAL FOR ENERGY SPAAK SUPPORTED THE IDEA OF A UNIFIED CONSUMER POSITION BUT ASKED HOW SPECIFICALLY IT MUST BE DEFINED PRIOR TO THE PREPARATORY CONFERENCE. THE BRITISH REPRESENTATIVE WILLIAMS THOUGHT IT

WOULD BE DIFFICULT TO HAVE AN AGREEMENT IN PRINCIPLE ON A FLOOR PRICE BEFORE ESTABLISHING THE SPECIFIC FIGURE. THE FRENCH REPRESENTATIVE DE WISSOCQ AGREED THAT THE PRICE LEVEL WAS CRITICAL BUT THERE WAS A PROBLEM IN ATTEMPTING TO ESTABLISH IT TOO EARLY IN THE NEGOTIATING PROCESS. IF THE CONSUMER/PRODUCER CONFERENCE WAS SUCCESSFUL, HE ARGUED, ONE COULD ACCEPT A LOWER PRICE, BUT IF THE CONSUMER/PRODUCER CONFERENCE FAILED TO PRODUCE ANY SIGNIFICANT RESULTS IN TERMS OF ASSURANCES ON SUPPLY AND PRICE BY THE PRODUCERS, THE CONSUMERS WOULD BE FORCED TO CHOOSE A HIGHER PRICE. OTHERS RAISED TACTICAL QUESTIONS ABOUT HOW FIRM THE CONSUMER POSITION ON PRICE SHOULD BE AND HOW IT WOULD BE NEGOTIATED WITH THE PRODUCERS.

7. EC COMMISSION VICE PRESIDENT SIMONET SAID THAT ONE INTERPRETATION OF THE SECRETARY'S SPEECH SUGGESTED THAT THE US PLAN WAS TO ORGANIZE THE CONSUMERS NOT SO MUCH FOR A TOUGH DIALOGUE BUT TO REORGANIZE THE MARKET IN OIL IN SUCH A WAY AS TO CAUSE THE OPEC CARTEL TO FALL APART BECAUSE OF MARKET PRESSURES. HE WONDERED THEREFORE WHETHER WE WERE REALLY CONVERTED TO THE USEFULNESS OF THE DIALOGUE OR WERE SIMPLY PREPARED TO GO THROUGH THE MOTIONS CONFIDENT THAT MARKET FORCES WOULD BET US WHAT WE WANTED IN THE END.

8. PREEG SUMMED UP BY GOING OVER THE FOUR STEPS WE SEE AS NECESSARY: (1) CONSUMER SOLIDARITY IN THE THREE AREAS OF CONSERVATION, NEW ENERGY SUPPLIES, AND FINANCIAL SUPPORT; (2) PREPARATORY MEETING OF THE CONSUMER/PRODUCER CONFERENCE, (3) PREPARATION AMONG CONSUMERS OF COMMON POSITIONS, AND (4) THE CONFERENCE AND THE ON-GOING DIALOGUE. HE ASSURED SIMONET THAT THE DIALOGUE ITSELF PLAYED A MAJOR ROLE IN THE US THINKING BUT THAT WE BELIEVED IT COULD ONLY BE SUCCESSFUL IF THE CONSUMERS HAD FIRST TAKEN THE HARD DECISIONS NECESSARY TO BRING ABOUT

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A MORE BALANCED BARGAINING RELATIONSHIP BETWEEN PRODUCERS AND CONSUMERS.GREENWALD

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## Message Attributes

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